



FIRST THINGS FIRST

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AGENDA ITEM:

FY11 Collections and Administrative Costs Account expenditures

CEO RECOMMENDATION(S):

- Accept the FY12 budget update

DETAIL:

Revenue (see attached charts)

Tobacco Tax Revenues:

Total FTF Tobacco revenues through October FY12 (to be used in FY13), continue to come in at above average rates. Three out of the four months have come in over \$12 million which mirror much closer to FY09 and FY08. For all four months the average amount collected is just under \$11.8 million.

At this point in the year it is appropriate to assume FTF will exceed its budgeted forecast for FY12 collections. In reviewing pure monthly collection totals the patterns set a figure of about \$140 million or \$14 million more than anticipated. There is opportunity for these figures to still change dramatically, just as they have in the first four months of FY12.

Under a separate agenda item, FTF is seeking to engage in a formal tobacco tax revenue modeling project with the L. William Seidman Research Institute within the W.P. Carey School of Business at ASU. The purpose of this project is to receive a long term forecast of revenues that accounts for multiple variables and can be used to more accurately project budgets for out year planning.

Interest Income Revenues:

Interest income continues to show a great deal of stability this fiscal year. However, the level of volatility in monthly bookings (as well as interest rate changes) seen in FY10, FY09, and FY08 make overall historically based projections unreliable. The best current predictor is a simple algebraic calculation based on current receipts and the number of months remaining in the fiscal year. Such a calculation places total collections slightly above the current budget.

FTF has been working to change its investment pattern with the State Treasures Office. Included under a separate agenda item is the final recommended plan for these efforts.

Operation Expenditures (see attached table)

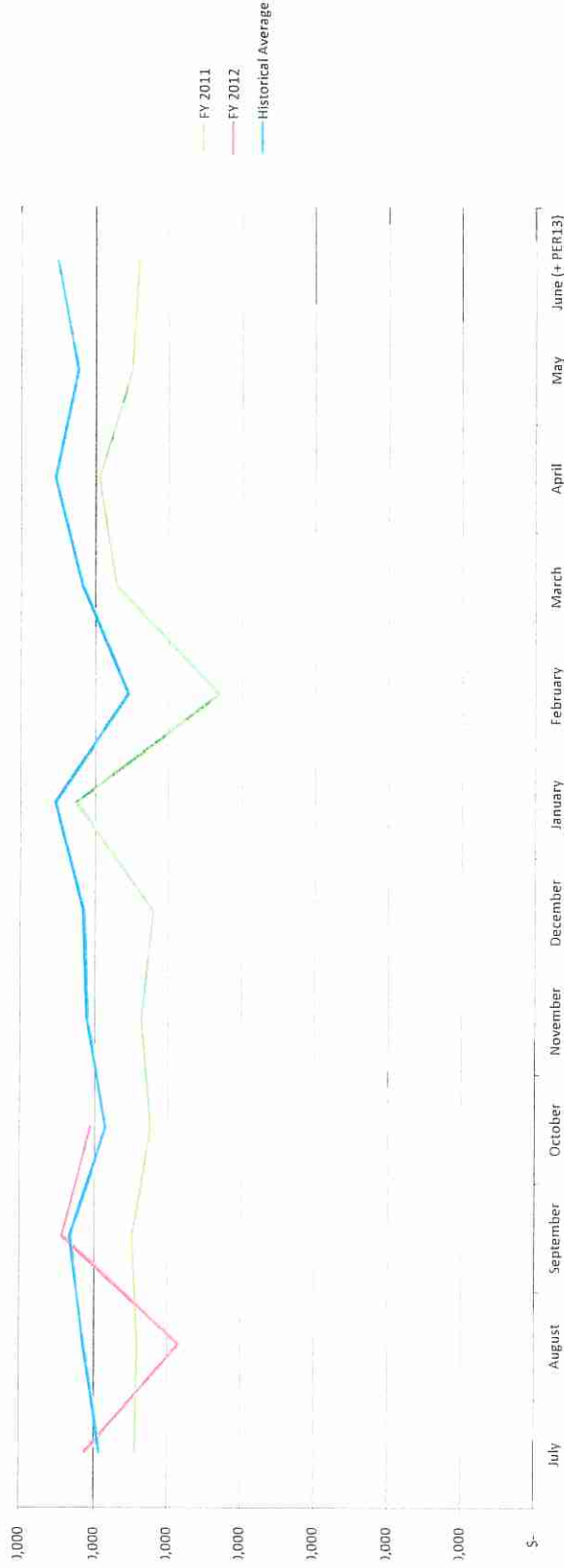
With four months of FY12 booked, FTF has expended \$3.9 million against the \$14.1 million Administrative Account budget. As such, FTF administrative expenditures continue to track favorably. FTF has expended about 28% of its administrative budget compared to 33% of the fiscal year having passed.

Two line items that stand out when reviewing the attached table are “Internal Printing” and “One Time Expenditures”. Both of these show current expenditures plus encumbrances exceeding the budget. These projected overages will be covered this year through one time savings in other line-items. The causes for these are as follow;

- “Internal Printing” overage is a result of FTF changing how printing is budgeted and separating the line-item out from “Other Operating”. When this change was made a base line budget was established. In establishing this budget it was recognized that historical actual usage was much higher, and thus current year actuals for FY12 would likely exceed the budget and need to be covered from savings in the “Other Operating” line-item. It is expected the current year’s experience will drive future budgets, and it was determined this approach would result in establishing a “truer” long-term budget since intentional/specific reporting would result in more conservative usage.
- “One Time” overage is primarily related to a timing issue for the elimination of open POs (encumbrances) associated with the Summit which are no longer relevant. The other large driver of costs in this line-item related to the unbudgeted costs associated with the preparation of the Race to the Top grant application. At the time of publication, the sum total of these costs were not part of the current reporting period, so it is expected these yet to be “booked” costs will more than off-set those being removed as the open POs from the Summit are cleared out. As such, it is fully anticipated that this line-item will be over-budget at year-end, and will need to be covered through some other source (likely saving in line items of “Salaries” and/or “Professional and Outside Services”).

Monthly Tobacco Tax Revenue

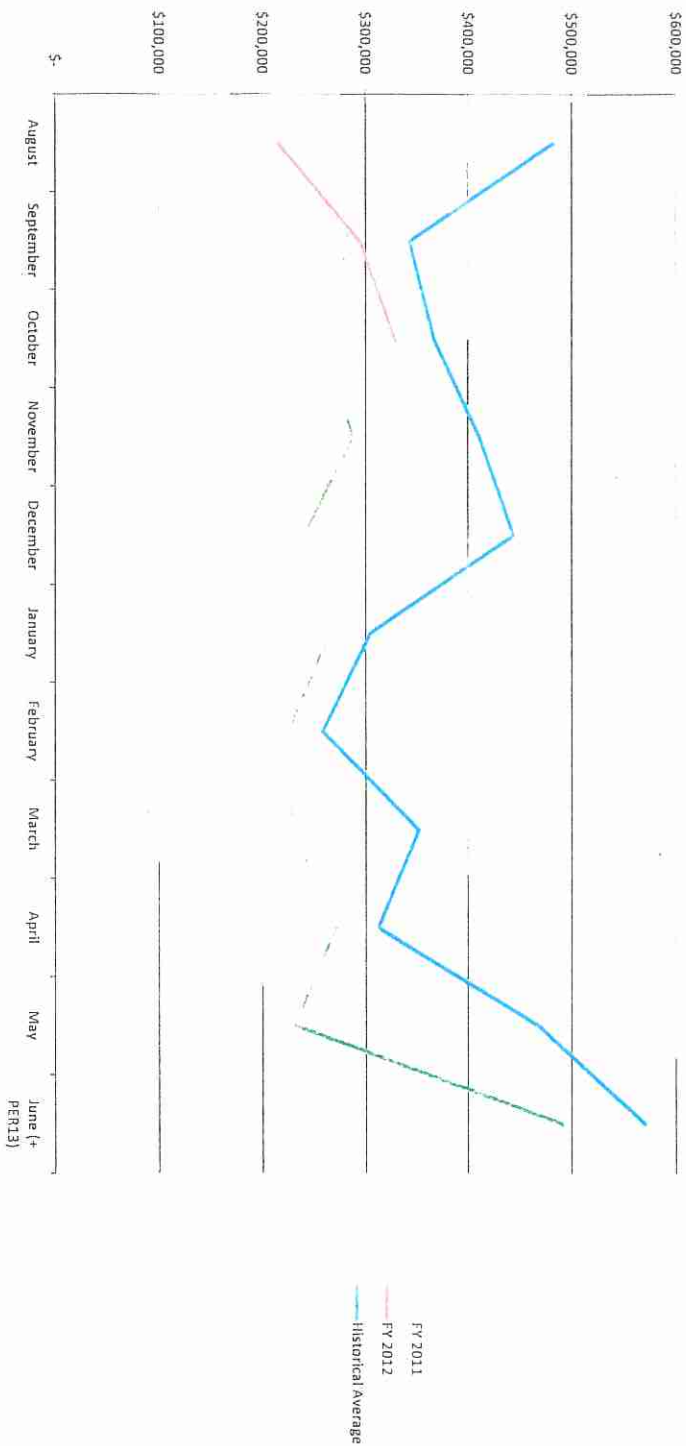
As of October 31, 2011



Revenue Collection	Historical Average	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008	FY 2007
	\$ 11,827,961	\$ 12,229,779	\$ 10,833,907	\$ 11,211,514	\$ 13,072,609	\$ 12,193,815	
	\$ 12,276,915	\$ 9,662,996	\$ 10,783,204	\$ 11,013,597	\$ 13,259,701	\$ 14,051,158	
	\$ 12,656,559	\$ 12,857,452	\$ 10,929,997	\$ 9,948,588	\$ 13,692,552	\$ 16,055,097	
	\$ 11,674,018	\$ 12,103,869	\$ 10,424,940	\$ 11,688,368	\$ 12,153,319	\$ 12,429,446	
	\$ 12,190,831	\$ 10,687,793	\$ 11,413,943	\$ 13,071,452	\$ 13,590,137	\$ 14,398,196	
	\$ 12,290,143	\$ 10,365,779	\$ 10,837,151	\$ 13,559,444	\$ 14,275,133	\$ 16,821,613	
	\$ 13,063,596	\$ 12,480,361	\$ 10,919,518	\$ 14,579,373	\$ 11,643,437	\$ 12,677,711	
	\$ 11,089,546	\$ 8,567,799	\$ 9,940,779	\$ 8,474,104	\$ 13,900,273	\$ 13,923,595	
	\$ 12,345,946	\$ 11,398,336	\$ 10,620,639	\$ 13,132,772	\$ 12,334,970	\$ 15,207,513	
	\$ 13,071,431	\$ 11,860,199	\$ 12,030,877	\$ 12,030,877	\$ 10,951,777	\$ 14,917,645	
	\$ 12,457,991	\$ 10,963,454	\$ 11,643,476	\$ 11,850,451	\$ 13,081,742	\$ 13,427,181	
3)	\$ 13,014,329	\$ 10,787,464	\$ 11,850,451	\$ 13,081,742	\$ 13,427,181	\$ 15,924,807	
		\$ 46,854,096	\$ 130,083,234	\$ 133,118,902	\$ 151,363,814	\$ 164,805,113	\$ 74,445,246

0 Tobacco Tax Revenue collected shown is according to the dates funds cleared the state's accounting system. Total FY10 Tobacco Tax Revenues on an accrual 132,353,902.

Monthly Tobacco Tax Interest Income Revenue As of October 31, 2011



Collection	Historical Average	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008	FY 2007
\$	\$	\$	\$	\$	\$	\$	\$
\$	483,231.24	215,461	271,833	1,223,591	502,912	202,360	
\$	343,906.20	294,106	282,970	257,294	644,892	240,268	
\$	367,627.16	328,828	259,133	234,062	626,736	389,377	
\$	411,339.58		287,512	343,513	592,399	421,934	
\$	444,192.12		239,389	302,624	636,611	598,144	
\$	304,492.83		264,671	252,949	193,422	506,930	
\$	258,466.72		224,468	248,407	144,280	416,711	
\$	352,880.83		228,525	233,651	550,854	670,193	81,181
\$	312,657.47		270,846	283,812	321,359	644,756	42,514
\$	469,229.97		230,519	301,562	851,027	889,538	73,504
\$	570,885.00		491,970	642,251	270,413	1,162,859	286,932
\$		838,395	3,051,836	4,323,717	5,334,904	6,143,070	484,131

Income spike is related to an accounting adjustment associated with FY09 and made by the Treasurer's office. Total FY10 Tobacco Tax interest collected to the dates funds cleared the state's accounting system. Total FY10 Tobacco Tax interest collected on an accrual basis comes to \$4,238,717.

FIRST THINGS FIRST
FY12- Tobacco Administration Summary Report

As of October 31, 2011

Current Budget (rv2)	October Expenditures	Encumbered Balances	YTD Expenditures	YTD Expend + Encumb Total	Current Balance	% YTD Exp + Enc to Budget
\$7,667,510	\$526,603	\$0	\$1,993,551	\$1,993,551	\$5,673,959	26.00%
\$2,754,614	\$199,118	\$0	\$759,874	\$759,874	\$1,994,740	27.59%
\$330,842	\$31,315	\$0	\$72,598	\$72,598	\$258,244	21.94%
\$73,443	\$710	\$0	\$4,715	\$4,715	\$68,729	6.42%
\$725,700	\$31,460	\$201,770	\$152,539	\$354,309	\$371,391	48.82%
\$1,617,987	\$135,271	\$580,719	\$466,738	\$1,047,457	\$570,530	64.74%
\$47,298	\$5,901	\$34,392	\$19,349	\$53,741	-\$6,443	113.62%
\$100,365	\$1,167	\$0	\$2,184	\$2,184	\$98,181	2.18%
\$182,241	\$4,031	\$444	\$62,059	\$62,503	\$119,737	34.30%
\$13,500,000	\$935,576	\$817,325	\$3,533,607	\$4,350,932	\$9,149,068	32.23%
\$632,594	\$94,866	\$373,390	\$340,803	\$714,193	-\$81,598	112.90%
\$14,132,594	\$1,030,442	\$1,190,715	\$3,874,410	\$5,065,125	\$9,067,470	35.84%